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May 5, 1989

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**Budget and Finance Committee  
Sacramento, California**

**Honorable Members in Session:**

**SUBJECT: New Vessel - Riverfront Commercial Tour Vessel Lease**

**SUMMARY**

This report provides information relating to the construction of a new riverfront tour vessel in Old Sacramento by Channel Star Excursions, Inc. This report is for information only.

**BACKGROUND INFORMATION**

The Old Sacramento Riverfront Master Plan project included the reconstruction and revitalization of approximately 4.5 acres of riverfront area. Designed to interpret the 1849 to 1870 period, principal elements of the plan included historic riverfront buildings, floating hulks, and historic ships. Proposed uses for the riverfront area were commercial, tour boats, public open space, and riverfront access. The Specific Use and Leasing Plan approved January 1985 included historic ships to be moored on the reconstructed riverfront contributing to the historic ambience of the area. Accordingly, in March 1987, City Council authorized a lease with Channel Star Excursions, Inc. to provide commercial riverfront tours in Old Sacramento. The arrival of Channel Star Excursions' existing vessel, the Matthew McKinley, capacity 150, on the Old Sacramento Waterfront coincided with the waterfront's June 1987 grand opening. Channel Star Excursions provides a variety of services to the public, including narrated sightseeing tours, luncheon, brunch, happy hour, and dinner/dancing cruises as well as charters and cooperative ventures with tour groups and conventions.

Since arriving, the Matthew McKinley has become a premier visitor attraction in Old Sacramento and has made a positive contribution to the area's renewed vitality. In its first year of operation, this historic riverboat had over 24,000 individual passengers with an estimated additional 4,000 persons participating in chartered tours.

A significant term of the lease agreement is that Channel Star Excursions will replace the Matthew McKinley with a new and larger historical tour vessel within one year after the annual gross receipts under the lease operations reach \$750,000. The tour boat operation grossed nearly \$700,000 during its first year of operations, and all indications appear that the present year receipts will surpass this amount. Accordingly, the lessee anticipates that gross receipts will exceed the \$750,000 benchmark in fiscal year 1989-90 and has begun preliminary plans for a new, larger vessel. Preliminary plans for the new larger and more ornate vessel call for a three-deck western style riverboat with a capacity of 400-600 passengers. The first two decks, designed for dining and dancing, will be enclosed with the entire first deck handicapped accessible. The smaller top deck will be partially enclosed, affording an excellent river view. This completely self-contained historically accurate vessel will cost Channel Star Excursions an estimated \$2 to \$2.5 million. It is anticipated that bids for the detailed design and construction will be received in August and awarded in early fall 1989, with the actual construction taking an estimated one year. Channel Star Excursions plans to begin operating the new vessel in Old Sacramento in January 1991.

The new vessel will enable both a continuation of the current tour services and an increase in the number of charters and cooperative ventures with tour groups, conventions, and other leisure industry organizations.

#### FINANCIAL DATA

There is no cost to the City. All costs associated with the construction of the new riverfront tour vessel will be borne by the lessee.

Revenue from the Riverfront Commercial Tour Vessel is deposited in the General Fund to offset the costs of providing management, programming, and maintenance for the Old Sacramento Waterfront area. Revenue to the City thus far in the form of a graduated percentage of the gross receipts has been as follows:

<u>Year</u>	<u>Percentage Rent</u>	<u>Revenue to City</u>
1987-88	2%	\$14,066
1988-89 (July-March)	2%	\$ 8,682

It is anticipated that with the increase in the passenger capacity of the new vessel, the Channel Star Excursions gross receipts and subsequent rent to the City can be reasonably expected to increase.

#### POLICY MATTERS

Construction of a new, larger vessel by Channel Star Excursions is consistent with the terms of the lease for the riverfront tour boat.

#### MBE/WBE

The lessee is aware of the City's Affirmative Action goals and is required by lease agreement to make efforts to meet these goals.

RECOMMENDATION

This report is for information only.

Respectfully submitted,



Robert P. Thomas, Director  
Parks and Community Services

Approved for Information:



Jack R. Crist  
Deputy City Manager

RPT:ja

May 16, 1989  
District No. 1

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